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Quero. Legislative assembly. [Committees]


Select committee on consumer credit

Hearings

SELECT COMMITTEE ON CONSUMER CREDIT

Proceedings of hearings at the
Senate Office Building, Washington,
D.C., on the 11th day of January, 1965.

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Secretary

SENATOR WALLACE P. BENNETT

JOHN EVANS

Assistant to Senator
Bennett



1 SENATOR BENNETT: What can I do that will
2 be most useful to you. What areas in this particular
3 legislation are you most interested in. I have a little
4 list of things here to fall back on unless you have a
5 better arrangement to start on.

6 MR. PRICE: We had a preliminary meeting
7 and we went over some of the points that will probably
8 come up today. We just reached a point where we feel we
9 can learn a lot from you people. You have been studying
10 this problem on consumer credit since 1963, and we thought
11 we should come here to see what you have learned because
12 of the study you have carried out.

13 SENATOR BENNETT: I will start and if you
14 want to interrupt and ask a question please feel free.

15 This legislation has been before us for
16 five years. You may be amused to know how I got
17 involved and why I took the position I have taken.
18 Hearings were called on it, I didn't even bother to go
19 to the first one or the second one, but I finally went
20 and a man who was to appear as a witness the next day
21 gave me a copy of the statement he was going to make
22 which contained a problem represented by an example. I
23 took the paper home at night, read it and got curious.
24 So I sat down to figure out the simple annual interest
25 rate on his example. I worked with a pencil for an
26 hour or so and kept saying to myself maybe I'm figuring
27 it the wrong way. After working until midnight without
28 getting an answer, I asked my staff man to figure it out.
29 He called the Library of Congress which we can use and
30



1 asked them to figure it out, and by the time I got to
2 the meeting I had three or four answers. This is the
3 problem, it's a very simple one. A man finds himself
4 in the morning with a dead battery. He has to drive to
5 work and he has no money. He goes to the gas station
6 and the man says, I will sell you a battery for \$20.00
7 and there will be a 2% charge for the interest and you
8 pay me back \$5.00 every two weeks until the carrying
9 cost is paid. As a result of that the answer lies
10 somewhere between 115% and 130%. As a result of that I
11 got into the discussion starting from the point of view
12 it was not a simple thing to figure a simple annual rate
13 even on a problem as simple as this.

14 Senator Douglas and I have sat together
15 in every hearing and meeting the committee has held
16 through the 4,300 pages of testimony, and we found
17 ourselves generally on opposite sides on nearly every
18 question. I can't claim to remember everything that was
19 said over these five years, but my impression of the
20 legislation after all this time is that Senator Douglas
21 has approached the problem from a theoretical point of
22 view and an emotional point of view. Since I was in
23 business 30 years before I came to the Senate, I approached
24 it from the practical point of view and we soon found
25 ourselves in the position of the immovable object meeting
26 the irresistible force. We came to head on disagreements
27 and neither one of us has done any yielding.

28 Most of the witnesses who have appeared
29 for the bill have been witnesses with emotional stories---



1 I bought a refrigerator and it was no good so I took it
2 back but the fellow didn't want to give anything for
3 it. I didn't discovery until afterwards I had paid a
4 very high percentage. The most emotional was the man
5 who committed suicide in Chicago because he was being
6 hounded for a purchase. He paid a tremendous rate of
7 interest. He had no credit, his Credit Union turned
8 him down and he had gotten into the hands of loan sharks
9 and they were the ones that pressed him. I feel the bill
10 has this weakness, it's theoretical. Senator Douglas,
11 as the hearings progressed has presented a series of
12 mechanical devices that are supposed to solve the
13 problem. He even brought down from the Bowery Savings
14 Bank a kind of pin ball machine, and then the Bowery
15 Savings Bank also developed a mechanical slide rule.
16 When you ask these people, do you use these devices in
17 making these loans they say, of course not, we use these
18 as advertising gimmicks. We couldn't run our business
19 with these devices. This idea of solving the problem
20 has been dropped. In order to get the jurisdiction of
21 the committee for his own bill Senator Douglas wrote
22 into the petition it's purpose was to stabalize the
23 economy. I think it has been pretty well demonstrated
24 that consumer credit doesn't change. He has been working
25 on the idea if people had the cost of credit stated in
26 identical terms they could shop comparatively and know
27 which credit arrangement was satisfactory. We fought
28 that one out and now the Senator agreed last year to an
29 amendment to his bill which destroyed the comparability
30



1 in it's ultimate sense. There are other types of credit
2 to which I think this bill can't be applied. Then we
3 come to protecting the consumers, the poor people.
4 Several books have been written indicating it is the
5 poor who deal, in their poverty, with these back street
6 merchants and need this protection. In my book they
7 need education more than law, and people of this type
8 would probably operate outside of the law no matter what
9 law you pass.

10 I think the effect of the Douglas Bill
11 if it were passed would be to create added cost for the
12 reputable merchant and still leave the rats outside of
13 control. We had an experience during one hearing. We
14 brought into the hearing room a variety of merchandise,
15 but there was two apparently identical pieces, two ladies
16 black dresses, one sold for \$12.95 and the other for
17 \$22.95, and we asked the girls in the committee room to
18 tell us which was the better piece and they all picked
19 the cheaper piece as the better piece indicating shoppers
20 are not capable in shopping in all fields. I think
21 there are problems of administration and enforcement.
22 The Douglas Bill has no enforcement. If the buyer makes
23 a contract and is told that the rate is so much and
24 later discovers it is higher then he can go to the
25 District Attorney and make a complaint. I don't think
26 that is effective enforcement because the Federal
27 Government doesn't intervene at the point of the sale
28 to inspect his program or to check the kind of interest
29 rate he is selling. It just comes in after the person
30



1 thinks he has been bitten. Administration would be
2 difficult. Out of all this discussion how do you arrive
3 at the simple annual rate, what kind of device do you
4 use. Senator Douglas has had all these mechanical devices,
5 and finally says banks have a rate chart, the ordinary
6 merchant could have a rate chart. I have made a mortgage
7 on my home and I have sat down with the bank lending
8 officer and had him use his chart. This is fine when
9 you are dealing with thousands of dollars, but put the
10 ordinary clerk who makes a dollar an hour to the task
11 of working through a rate chart while other customers
12 are waiting seems to me represents a kind of difficulty
13 in operating. I had an experience Saturday. I went
14 into a big department store with a credit card and made
15 a purchase. We purchased what we wanted, we found it
16 immediately, but we got a green clerk who was afraid of
17 our credit card, so we waited 20 minutes while he tried
18 to get the credit department on the phone to check my
19 purchase. While he was doing that I was ready to tear
20 up my credit card. This is the sort of disadvantage
21 you would have. Then you have the store where the man
22 operates it himself with somebody coming in to relieve
23 him at noon. He can't afford to take 15 minutes to
24 calculate this. All credit types don't fit into one
25 mould. This same bill has been offered to a number of
26 States and they have all rejected it in the identical
27 form Senator Douglas has offered it. One State has a
28 law requiring a simple annual rate that has been on their
29 books for at least five years and the Attorney General
30



1 has yet to issue regulations under which it could be
2 enforced. In other words he said this is so complicated
3 that you can't operate it. The bill could result in less
4 rather than more credit information because there is an
5 increasing number of merchants in this country who are
6 advertising that they make no charge for credit and some
7 of these are rather substantial in size. This is their
8 choice in the battle with their competitors, but many
9 merchants could adopt this procedure if the bill became
10 law. The obvious answer to that is they couldn't compete
11 with others if they did that. The best example I can
12 give you is this. J.C. Penny has just gone into the
13 catalogue business in the United States, it is the second
14 largest chain of retail stores, Sears being first.
15 Penny's catalogue prices are 10% higher than Sears, but
16 does Penny go out of business, their catalogue business
17 is increasing. I am not persuaded that these stores that
18 make no charge for credit will find themselves out of
19 business or find their volume of business going down.

20 Senator Douglas is the most persistent
21 proponent of a bill I have ever worked with. He has
22 used the power of his national eminence, he has used
23 his power of office in the committee, he has used his
24 relationship with the labor unions and they have poured
25 all the propaganda they could into the American people
26 in favour of this bill. Yet, I don't get ten letters a
27 year saying anything about this bill. The American people
28 don't feel they are being badly gypped under the present
29 circumstances. Airlines in the United States, two of
30



1 them, and I guess the others will follow suit, are adver-
2 tising automatic credit. You can walk up to the airline,
3 buy a ticket on their line, sign a simple form and they
4 will give you extended credit. They can't hold up the
5 line while they figure out the simple annual rate on
6 your particular ticket. What do you do with student
7 loans. We have a student loan program which provides a
8 variety of benefits for students. They are not required
9 to pay anything back until they are through with college,
10 nobody can tell when that will be. What do you do on
11 construction loans. You go to a bank, you are going to
12 build a house. You get a line of credit but the bank
13 doesn't know until you use it how much you will use and
14 what porportion or when you will make your drawing on
15 the loan. Unless there are amendments to the bill
16 people can't conform to it. Maybe this could be done
17 by amendment but Senator Douglas has said, this is a
18 detail, don't bother me with this, we will leave this
19 for the man who writes the bill. I don't believe in
20 blank cheque legislation, that someone who has no part
21 in the development of the program sit down and write
22 regulations. We also had an interesting problem in
23 enforcement. The bill Senator Douglas introduced in
24 the Congress required our Federal Reserve Bank to take
25 the responsibility for enforcing, writing the regulations
26 and handling whatever problems come up. The Federal
27 Reserve said this is out of their field and they didn't
28 want it. They moved to the Federal Trade Commission
29 but the Federal Trade Commission is limited to transactions
30



1 in interstate commerce and if the Federal Trade Commission
2 took over their basic legislation would have to be
3 rewritten to give them authority. The United States
4 Federal Court, most of them are months and some of them
5 are years behind in their cases, this bill would put
6 anybody who had a case involving a few dollars into the
7 Federal Court and really jam our judicious system. My
8 feeling is we should have laws requiring reasonable
9 disclosures, by reasonable I mean disclosure that can
10 be provided without undue hardship by the seller or
11 lender and which would give adequate information to the
12 buyer. I think these laws should be written at the State
13 level. In only one case has the simple annual rate been
14 written into the law. I think it belongs at the State
15 level and we now have in operation a program being
16 managed by an official group known as the Commission on
17 Uniform State Laws. The Governor of every State appoints
18 two or three eminent lawyers, two I think, to this
19 Commission and they undertake to develop model legislation
20 in many fields which models are taken back to the State
21 Legislature for study. The commission has no automatic
22 financial support, but as a result of these hearings on
23 the disclosure bill this commission has assembled about
24 \$150,000.00, and we spent \$90,000.00 on the disclosure
25 bill to study the whole problem of consumer credit, not
26 only disclosure, but the question of garnishment,
27 questions on bankruptcies and everything else growing
28 out of the modern expansion in consumer credit. They
29 expect to have their report ready for the various State
30



1 Legislatures when the next round of legislature meetings
2 begin in January 1967. They have assembled a staff,
3 mostly academic professors, and they are being financed
4 by the whole range of consumer credit suppliers, credit
5 unions, banks, finance companies and department stores.
6 I personally hope Congress will not take any action at
7 the federal level until after we have the benefit of
8 this study being conducted by this group of lawyers with
9 their technically trained staff. Not only how the cost
10 on credit should be disclosed but the other aspects on
11 consumer credit. Senator Douglas has not yet re-introduced
12 his bill. The best information is that he will not do
13 so for two or three weeks. He has a problem, he
14 the Javits amendment to his bill which exempts revolving
15 charge accounts. Should he introduce a bill with that
16 exemption or start all over again. At least two bills
17 have been introduced into the House of Representatives,
18 they are in effect the original Douglas bill without the
19 Javits amendment. We can't organize our committees until
20 the Republicans solve some of their internal problems
21 including the problem to which Senator Strom Thurmond
22 will be assigned, so as a result we haven't had any
23 meetings. Senator Robertson who is the Chairman of the
24 committee, I think would be reluctant to spend more than
25 the \$90,000.00 we have already spent. We don't know yet
26 who will be on the sub-committee and I am sure you can
27 understand that the membership and attitude of the sub-
28 committee will have more effect on the decision than the
29 4,400 pages of the hearings, so we are in a kind of
30



1 stalemate at the moment. We have been around the track
2 many times and what will happen in the next little while
3 I don't know. I am the ranking member on the Republican
4 side of the banking committee and as such have the power
5 to put myself on any sub-committee on which I wish to
6 serve, so I think I will be on the Douglas sub-committee
7 when it meets again. Who else will be there I have no
8 way of knowing. This is a long story, probably you have
9 heard all this before. Now, I will be very glad to give
10 you the floor and try to answer your questions.

11 MR. REILLY: That has been very interesting,
12 and I might say I share many of your views. Has the
13 Douglas Bill any provision whatsoever from the standpoint
14 of the door to door salesman?

15 SENATOR BENNET: Let me refer to the state-
16 ment I made earlier. There is no protection to the
17 consumer until after he has discovered he has been
18 gypped, then he makes a complaint. He has no current
19 protection, the government can't go to the door to door
20 salesman.

21 MR. REILLY: At the present time the door
22 to door salesmen are licensed by the local municipality?

23 SENATOR BENNETT: Yes, this entirely a
24 local situation and many of them operate without a license.
25 I have listened to all the stories and I am sympathetic
26 to the situation of the people who have been bilked.
27 They never report being gypped by a reputable lender,
28 they are gypped by the fly-by-night, people of that type.

29 MR. MacDONALD: What did you mean when you
30



1 said you felt the original attitude of the members of
2 the committee was more influential in shaping the bill?

3 SENATOR BENNETT: I didn't use the word
4 original. In the first place, there have been only two
5 members of the committee who have heard the 4,400 pages
6 of testimony, and I don't think many of the members have
7 read much of the testimony, so they come to the meeting
8 with their prejudices, with their general background,
9 and general point of view on the problem, and there is
10 a lot of pulling and hauling among the committee members
11 from both sides trying to line them up to vote for or
12 against the bill. I think most of the committee members
13 have been affected by the bill that way much more than
14 they have been affected by paying attention to the
15 testimony.

16 MR. LAWRENCE: I was wondering if the split
17 has been mainly on party lines?

18 SENATOR BENNETT: We Republicans have been
19 badly outnumbered. This year it will be ten to four.
20 We have one Republican who tends to vote with Senator
21 Douglas. My personal opinion, off the record opinion, is
22 that most of the members of the committee wish the bill
23 would never have come on. They are tired of it, they
24 don't want to come to a vote on it. The general comment
25 is, we will refer it back to the sub-committee. Interest-
26 ingly enough as a Republican, Senator Douglas got
27 support on his proposal in the 1960 national platform,
28 but it was not there in 1964.

29 MR. WHICHER: I was impressed by your example
30



1 of the dress, the same looking dress, one for \$12.00 and
2 one for \$22.00. Surely in the credit business the
3 chief selling product is money.

4 SENATOR BENNETT: When a buyer goes out to
5 look at a car, he will look at the Chev, Plymouth and
6 Ford. He will have to get credit to buy the car, but I
7 don't think the credit will have as much an effect in his
8 determination as to whether he buys a Ford or a Chev.
9 There are very few cars sold these days without a trade,
10 and the real competition in the sale of automobiles is
11 the allowance on the old car, and that can amount to a
12 great deal more money than the difference of 3% or 4% in
13 the cost of financing the car. This is one field in
14 which the ordinary customer is not too smart. I have a
15 son, when he was about 23 he bought an automobile off a
16 used car lot when he knew he could go down and get the
17 best possible deal in the lot that the family owns. The
18 salesman got ahead of me and did a good job on him and
19 my own son deserted the family business. There are
20 problems in the automobile area. In the States these
21 have been handled generally by legislation aimed specific-
22 ally at automobiles and requiring the statement of certain
23 basic facts. Generally they require the dollar cost of
24 the credit rather than the rate because the customer
25 is more interested in knowing how much he has to pay a
26 month.

27 MR. WHICHER: You say there is more problem
28 in putting the dollar cost down than simple interest?

29 SENATOR BENNETT: There is less problem.
30



1 The automobile dealers have rate charts that are set in
2 dollars. Much of the objection to the Douglas bill
3 would disappear if he would agree that the charges could
4 be stated in dollars or simple annual rate.

5 MR. KERR: What is your main objection, say
6 in an automobile transaction?

7 SENATOR BENNETT: I think you have the
8 practical problem of the responsibility of the person
9 who is doing the dealing. The ordinary clerk would find
10 it very difficult to do some of this complicated figuring.
11 There are very few people who know how to work out an
12 arithmetical proposal. My friend, John Evans, has a
13 personal feeling if Senator Douglas would give on the
14 annual rate and allow a statement and a monthly rate
15 this would be simpler. We also come to the problem of
16 stating in advance and the legal problem of what is in
17 advance. Then you have the problem, and this I am sure
18 is an example for which Senator Douglas has had
19 no answer. You buy one appliance and make a contract
20 and half way through that contract you buy another
21 appliance and ask to have the two put together, should
22 you start all over again with a completely new contract,
23 or does the old contract continue until it's termination,
24 or does the new one overlap. Does the amount have a
25 different rate for 30 days instead of six months. All
26 these have disturbed us. This has to be done in every
27 case. We had a witness before us who was a college
28 professor from Michigan, his name is Dr. Albert Johnson.
29 He says in 69% of the credit transactions you can't be
30



1 sure that the simple annual rate and the total dollar
2 cost can be stated in advance.

3 MR. MacDONALD: Could I go back to one of
4 your statements, that the implementation of the Douglas
5 bill would make it difficult for the legitimate operators.
6 Why would it be more difficult for the legitimate
7 operator?

8 SENATOR BENNETT: The legitimate operator
9 would have to take all the burden of this calculation
10 and all the difficulty of holding the customer while
11 he does it, and all the annoyances this would create.
12 The shyster operator can avoid it. If he makes the
13 deal he makes it and runs. These people have a way of
14 changing their corporate name. They operate in this
15 section today as the ABC corporation and the DEF corporation
16 in another part of town the next day. The people who
17 deal with the legitimate operator expect there will be no
18 mistakes. This is the thing the legitimate operator has
19 to face.

20 MR. LAWRENCE: The objection to the bill is
21 not related to the principle of it, it is related to the
22 mechanical feasibility of it plus the enforcement?

23 SENATOR BENNETT: That's right. This
24 belongs on the State level, it doesn't belong on the
25 Federal level.

26 MR. EVANS: There are organizations like
27 Penny and Sears. While they deal on a national basis
28 they have to gear their local operations to the State
29 law. For instance, if I am correctly informed, in Arkansas
30



1 there is a limit of 1% per month that can be charged
2 for any credit. Say, in Arkansas, Sears Roebuck's charge
3 for revolving credit is 1% a month, in other States
4 they are charging 1½%. The big finance companies are
5 wholesalers, a consumer doesn't go to them directly for
6 credit, he goes to someone else and their paper is sold
7 to them. This is the problem we face, and I am sure
8 even on a different basis you face in Canada, because
9 of the difference of our relationship with the State and
10 Federal Government. Your Douglas bill has the interesting
11 provision that the State laws will take precedence if
12 they are in substantial agreement with the Douglas bill.
13 This phase has not been argued in the committee. What
14 do you with catalogues, when is a catalogue sale consummated,
15 when the man places the order with his cheque in the mail
16 or when the company ships him the goods or acknowledges
17 the order. There are no problems now but there would
18 be a very serious problem if the Douglas bill were passed.

19 MR. WHICHER: What would Senator Douglas'
20 answer to that be?

21 SENATOR BENNETT: This is a detail, don't
22 bother us. We stand for a principle, and the basic
23 principle on which he stands firm is we must have a
24 statement of the dollar cost and the simple annual rate
25 in advance. Don't argue about how it is going to be
26 complied with, this is up to the people who write the
27 regulations. He has abandoned that a little.

28 MR. SEDGWICK: That is on the assumption
29 a new bill contains the Javits amendment.
30



1 SENATOR BENNETT: There is a bank in Boston
2 that tries to get automobile paper by using one of the
3 oldest banking devices. They give their customer, in
4 effect, a blank cheque or a cheque with a limit. They
5 give him a statement showing he has a credit in the
6 bank for the purchase of an automobile up to \$4,000.00,
7 and he takes that piece of paper with him wherever he
8 wants to go. He buys the automobile, hands the seller
9 this piece of paper, then he goes back to the bank.
10 Nobody can state to him when that transaction is consum-
11 mated what his cost is going to be in dollars or simple
12 annual rate. He does that when he gets back to the
13 bank. That demonstrates to me that it is not a simple
14 matter for everybody to figure simple annual rate in
15 advance. Senator Douglas' answer is everybody learned
16 to figure in the sixth grade.

17 MR. WHICHER: Do the banks give the simple
18 annual interest?

19 SENATOR BENNETT: They have several ways
20 of stating their charges. Many banks use the discount or
21 add on method. If you borrow \$1,000.00 they take off
22 \$40.00. This would require a statement of simple annual
23 rate. This would not be too hard. Most banks have a
24 standard repayment plan and on a \$1,000.00 loan you can
25 afford to sit down and calculate the rate but can you on
26 a \$50.00 purchase.

27 MR. WHICHER: Can you on an automobile or can
28 you on a \$1,000.00 loan from a finance company?

29 SENATOR BENNETT: There is already legislation
30



1 in most States requiring a statement of the dollar
2 charge where you are going to require the automobile
3 salesman to translate that into a simple annual rate.
4 You might be interested in this. In the very early
5 hearings Senator Douglas brought to the committee hearing
6 the head of the largest credit union, the United States
7 Navy Credit Union. He was a captain in uniform, and he
8 said, yes, he was for the bill, but under questioning
9 he admitted when the bill was introduced he decided it
10 was so good that they would adopt it and then he said
11 after a few months we had to abandon it because it made
12 our customers so confused. They couldn't come to a
13 simple annual rate unless every lender were forced to
14 do the same thing. Senator Douglas was very much disturbed
15 by this discussion and did his best to minimize it. They
16 tried it but it didn't work. The proposed law provides
17 that everything incident to the extension of the credit
18 must be included in the charge. Finance charge means
19 the sum of all the services which any person to whom
20 credit is extended incurs in connection with or as an
21 incident to the extension of such credit. I carry an
22 American Express Credit card. I have to pay \$12.00,
23 that is incident to the extension of any credit. Does that
24 have to be calculated by the man to whom I present that
25 card as a basis for security.

26 MR. WHICHER: You have to have another
27 regulation.

28 SENATOR BENNETT: You have to have another
29 regulation. What about the credit union member who has
30



1 to pay dues before he can get credit. Are his dues to
2 be considered incident to the cost of extending him
3 credit. We also get into a hassle over another word
4 which is in the bill. It says except as provided in
5 subsection (b), any creditor shall furnish to each person
6 to whom credit is extended, prior to the consummation of
7 the transaction, a clear statement in writing setting
8 forth to the extent applicable and ascertainable and in
9 accordance with the rules and regulations---what does
10 ascertainable mean? It's possible to ascertain the
11 temperature at the South Pole, but it costs a lot of
12 money to get it. A clerk standing behind the counter
13 faces the question of the practical way certain information
14 is ascertained.

15 MR. IRWIN: I don't propose to take issue,
16 but I would like to say this. I have been in business
17 as a chartered accountant for 25 years and in setting
18 out to evaluate the difficulties, I have checked it out
19 with my clients, and I am quite satisfied while their
20 problems are real enough with this basic concern for the
21 time consumed by the clerk in making the calculation I
22 suggest to you I have found this is not the major problem
23 because tables can be prepared.

24 SENATOR BENNETT: Are you going to give our
25 clerk a set of these tables?

26 MR. IRWIN: No sir. I have worked this
27 out. I have taken the table now used by the lender based
28 on the loan they are prepared to make and converted that
29 to a rate which is shown on the top and the clerk would
30



1 have no more figures, no calculation to make except to
2 read off the rate on the various contracts.

3 SENATOR BENNETT: The clerk at the counter
4 has to call somebody.

5 MR. IRWIN: No. The clerk should be involved
6 in no more calculation that he has now.

7 SENATOR BENNETT: You are talking about
8 clerks in a finance company?

9 MR. IRWIN: No, in a store. The information
10 of the sale or payment for that matter goes into the
11 accounting department. The accounting department clerks
12 have a table.

13 MR. WHICHER: Simpson-Sears would not have
14 a table, they would have a standard rate.

15 SENATOR BENNETT: If they have a standard
16 rate somebody has to do the arithmetic of doing the
17 sale by the rate. If this is required by the clerk, this
18 takes time. I am not a chartered public accountant, but
19 I would think we would supply the clerk, like Sears does
20 in it's catalogue, with a set of schedules in dollars,
21 something like that. This is much quicker than giving
22 him 16%.

23 MR. IRWIN: All these tables are calculated
24 on a known rate. All you have to do is state the value
25 on the top of the table.

26 MR. EVANS: I just purchased a new car and
27 I told the dealer I want to pay in three months, ninety
28 days. I paid a downpayment of \$1,500.00, and when I
29 asked him how much the charge was he told me it would
30



1 cost me \$25.00. When I said, would you figure it out
2 for me, he said, I can't. I said, why is it \$25.00,
3 and he said, this is our minimum on any transaction.
4 It was a reasonable rate, the rate was alright, but
5 still at the same time I had to go home and figure it
6 out for myself. He didn't know how to do it nor did
7 his credit department.

8 MR. IRWIN: I don't see any particular
9 problem with public utilities.

10 MR. EVANS: The man who gets the service
11 doesn't ask for the credit, they automatically assess
12 the charge if he fails to pay.

13 MR. IRWIN: In Canada, you get a bill
14 which has two prices. You get the price you pay for the
15 same electricity if you pay before a certain date and
16 then you have another bill that you pay after that date.
17 They know what they're adding on.

18 MR. EDWARDS: They don't know in advance.

19 MR. KERR: They don't know how much you are
20 going to consume in advance.

21 MR. EVANS: On here it says \$12.00 if you
22 pay before the 10th and \$13.50 if you pay by the 10th.
23 Senator Douglas says you can't have two prices, one is
24 interest. If we assume this then the second charge is
25 interest. The first day after this came due you would
26 pay a very high rate, then the next day it would drop.
27 You have the same dollar cost over a period of time.

28 MR. SEDGWICK: Is it fair to compel one
29 sector to state the annual rate and you can't compel
30



1 another sector to do it.

2 SENATOR BENNETT: There is another problem
3 which is a very real one, at least for the merchant,
4 that is not true for the lender. The big general service
5 stations that sell tires advertise 90 day free credit,
6 within 90 days. If you don't pay within 90 days it's
7 still free credit. They never make the charge for credit.
8 You can buy tires from a general service station without
9 any credit charge. He can bury the credit cost in the
10 merchandise.

11 MR. IRWIN: This is true of the gasoline
12 you buy, you get at least 30 days. Tires are repossessable
13 if you want to get tough. The fact remains if you don't
14 pay in 90 days the cost of their credit is buried in
15 the merchandise.

16 MR. EVANS: When we had our last meeting this
17 was sent back to our sub-committee. We brought up some
18 of these things we considered important. This should be
19 studied by the staff and we should try to either change
20 the definition of finance charge or credit charge so
21 they at least include all these things. If we can give
22 the consumer something without hurting the seller it
23 should be done. I think it should be done on the State
24 level not on the Federal level.

25 SENATOR BENNETT: I have been trying to
26 solve the problem this bill has presented to me. I
27 think it would be desirable if you had a simple monthly
28 rate or an annual rate or dollars. Then I don't think
29 there would be any serious problem. My feeling is people
30



1 are more interested in the dollar cost of their credit
2 than they are in any theoretical simple annual rate. If
3 they save a dollar or two dollars on the transaction
4 they are going to spend it for something else.

5 MR. MacDONALD: From the point of view of
6 the impact on the economy, if they get their interest
7 this is going into purchases.

8 SENATOR BENNETT: I have another comment.
9 Most of the people who were brought as witnesses by
10 Senator Douglas were members of credit unions. Their
11 complaints are they were charged too much credit by
12 credit unions, yet they know they can get money at a
13 lower rate from the credit union than by going downtown
14 to the merchant. This introduces the effect of convenience.
15 Sometimes it is more convenient, the convenience of the
16 credit the merchant supplies than the convenience that
17 the credit union supplies.

18 MR. REILLY: Have you discussed a waiting
19 period in this Douglas bill?

20 SENATOR BENNETT: No, we haven't. We haven't
21 come close to the point of passage, where the question
22 of the date on which the bill was to become effective
23 has become important to the committee.

24 MR. WHICHER: I have one more question. If
25 not at present, presumably in the past, as an automobile
26 dealer you have had to borrow money. Wouldn't you when
27 you were borrowing considerable sums of money find it
28 almost imperative that you know what interest rate you
29 are paying. If the answer is yes and I presume it would
30



1 be for large sums, isn't it true that \$500.00 or \$1,000.00
2 would be as important to people as \$50,000.00 would be
3 to a large business. If it's important we know the
4 simple interest for a large one isn't it equally important
5 for a small householder to know the interest rate for
6 \$200.00 or \$300.00, or for \$2,000.00 or \$3,000.00?

7 SENATOR BENNETT: In the first place you
8 are talking about a commercial transaction. This is a
9 major transaction, but the housewife is not in the
10 business of borrowing money, she is in the business of
11 buying refrigerators. She is interested in the cost
12 of that refrigerator, and I think she is more likely to
13 make her decision on the total cost plus the credit to
14 her than she is on the interest rate. Refrigerators are
15 not all identical, when you go to the bank the money is
16 identical. There is an idea flying around downtown that
17 relates when the bill comes up it may have a minimum
18 limit in it. It will apply only to transactions within
19 a certain number of dollars. I will be unhappy with
20 this because this leave the field for the ahysters
21 completely free. I don't know what the minimum might be.

22 Now, we are going to lunch downstairs, and
23 you are going to spend some time with Senator Douglas,
24 and you will get the other side of the story from him.
25 He and I have sat together on all the hearings and we
26 have often been more or less at loggerheads, so he will
27 tell you a different story.

28 We have prepared some material you can take
29 along with you which will cover much of what we discussed
30



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25

1 today just in the hope it will be useful to you.

2

3 -----meeting adjourned.

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MEMBERS OF SELECT COMMITTEE ON CONSUMER CREDIT:

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J. F. EDWARDS, M.P.P.

M. HAMILTON, M.P.P.

G. KERR, M.P.P.

A. F. LAWRENCE, M.P.P.

L. LETHERBY, M.P.P.

D. C. MacDONALD, M.P.P.

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Consultant

T. F. R. HARCOURT

Secretary

SENATOR PAUL H. DOUGLAS

MR. LYNLEY

Assistant to Senator
Douglas.



1 SENATOR DOUGLAS: Gentlemen, first let me
2 say I am greatly pleased that you should be sufficiently
3 interested in this subject as to make the trip down to
4 the States, and to Washington. Probably you have
5 progressed further on the subject than we have because
6 I have followed your discussions, parliamentary reports
7 in the Canadian Hansard on occasion, and I know you have
8 given this thorough study.

9 The volume of consumer credit in this
10 country is tremendous. I think the last report of our
11 monthly statistical review shows 74 billion dollars of
12 consumer credit outstanding of which 57 billion is instal-
13 ment credit and of this about 25 billion is automobile
14 credit, making the personal loans about 15 billion and
15 the non-instalment credit 16 billion. Then, in addition
16 to this there is real estate mortgages on residential
17 houses, one to three families, amounting to 193 billion
18 according to the last figure. So that if you include
19 consumer credit and home credit you get the figure of
20 267 billion. This compares with 108 billion in the
21 combined categories of 1954, so that in ten years it
22 has more than doubled. This is going to be very shortly
23 greater than the national debt, the national debt is about
24 314 billion as I remember it. Since World War Two it
25 has gone up 37 billion or a little less than 15% in 19
26 years, but the rate of increase in personal debt is very
27 great. I think you are thoroughly acquainted with some
28 of the reasons we have been proposing the legislation.
29 We have prepared a little material for you which you can
30 take back with you. Two interesting things have been



1 developed, one is a simple slide rule which enables one
2 to reduce the amount borrowed and the monthly payments
3 to a true annual rate of interest. This is an approximate
4 rate for borrowers and buyers, not for lenders. The
5 credit unions have developed this slide rule which can
6 enable a high school graduate, I don't believe you have
7 to be a high school graduate, given the amount of the
8 debt, the number of months and the amount of the
9 monthly payments, to get the rate of interest down to
10 1/10 of 1%. So the argument which is advanced that you
11 cannot compute this, it's too complicated, seems to me
12 to fall by the wayside. As a matter of fact nearly all
13 those who sell on instalment credit have rate books
14 which they keep under the table. If you have any three
15 of the four variables, the amount of the debt, the
16 amount of the months, and the amount of the payments, you
17 can get the fourth variable, the fourth variable is a
18 derivative of the other three. You no more have to master
19 an algebraic formula to do this than you have to know
20 the laws of internal combustion to drive an automobile.

21 MR. LYNLEY: I think we discussed this with
22 your staff. I think I described in some detail that we
23 had witness after witness at the hearing that were told
24 the transaction was so many dollars for so many months,
25 you tell me what the interest rate is, and the witness
26 would say it takes sixty seconds. They very quickly
27 learned that these monthly payments, these dollar finance
28 charges are not picked out of the sky, they are derived
29 from a rate. That is where we begin and end in the
30 field of consumer credit. It's true we had many small



1 businessmen who said I don't know how to compute an
2 annual rate charge and if this bill were passed we would
3 be at a great disadvantage. The small business man
4 would sincerely say I don't know how I am going to comply
5 with this law. It took some time for us to learn that
6 most lenders in most fields of credit start with a
7 given rate of return and they work backwards from there,
8 but the only problem the lender finds is not in determining
9 the interest rates but in arriving at a dollar and cents
10 figure.

11 MR. MacDONALD: One of the witnesses before
12 your committee stated that they were so impressed that
13 they put it into effect and then had to bow out of the
14 picture. I guess they were overwhelmed by the complexities
15 and difficulties.

16 MR. LYNLEY: The Commander in the Navy was
17 president of the credit union, which is the second
18 largest credit union in the United States, and he was
19 asked the question, if you believe in this bill why
20 don't you put it into practice, and his answer, it is
21 my recollection, was it is too great a burden for one
22 institution to take on the job.

23 SENATOR DOUGLAS: They are limited to a
24 maximum of 1% per month. This would be 12% a year, but
25 the public tends to believe 12% is usurious. In monthly
26 terms most department stores will charge $1\frac{1}{2}\%$ per month,
27 but very few people realize $1\frac{1}{2}\%$ per month is 18% a year.

28 MR. MacDONALD: Are you suggesting in the
29 instance of the Navy Credit Union they didn't put it
30



1 into effect because it was too much to expect one
2 institution to take on the job?

3 SENATOR DOUGLAS: The Credit Union have been
4 our strongest supporters. They quote their rate in
5 monthly terms on the amount actually owed not on the
6 original amount of the obligation. When you have a
7 department store advertise $1\frac{1}{2}\%$ a month it becomes 18%,
8 and when you have a bank charge 7% on the original amount
9 of the obligation not on the amount actually owed, in
10 practice the 7% becomes 14%.

11 MR. LYNLEY: We have a number of people
12 in industry come or write to us and say they agree with
13 us basically in the purpose of the bill. They say in
14 their particular enterprise they can follow the principles
15 of this type of legislation.

16 MR. WHITE: First of all, was the Javits
17 amendment acceptable to you?

18 SENATOR DOUGLAS: It's not acceptable to me.
19 I will take it if that is the price in getting the bill
20 through.

21 MR. WHITE: We have a special problem. One
22 of the things that disturbs me is whether in bringing
23 legislation of this nature to bear on these lending
24 institutions which are under our control if we are not
25 doing them a disservice, to the federally constituted
26 lenders?

27 SENATOR DOUGLAS: It's a good argument. With
28 us the objection has been the reference that it is not a
29 matter of national legislation but should be a matter of
30



1 State legislation.

2 MR. MacDONALD: Are there any arguments
3 this should be projected on a State level rather than
4 the national level?

5 SENATOR DOUGLAS: I suppose there might be
6 some. Take Household Finance, that is an interstate
7 corporation that has offices all over the United States.
8 Furthermore, there is a lot of automobile paper which is
9 sold to interstate finance companies.

10 MR. BUKATOR: Have you looked into the
11 Unruh bill, your committee?

12 MR. LYNLEY: We haven't looked into it in
13 depth.

14 MR. SEDGWICK: We spent a few days there.
15 They have two bills, they divided the field into hard
16 goods and the automobile, which is a separate act.

17 MR. MacDONALD: Before we leave this business
18 of a national approach as opposed to a State approach what
19 has been your experience with operators in the field
20 moving from one State to another?

21 MR. LYNLEY: In the type of regulation we
22 have in the field we have limited unanimity on the
23 project. We have national companies making their home
24 offices in particular States because their laws are
25 very loose. Kentucky, for instance, their laws are not
26 very good. I think our national concerns, like Sears,
27 are beginning to find they might be better off with
28 national legislation than with 50 conflicting laws.

29 SENATOR DOUGLAS: It is my belief if you
30



1 get publicity on the rates it will result in a lowering
2 of the rates. I don't believe 26% or 30% credit rate
3 which is normal with us for automobiles, I don't believe
4 it can stand up under the light of publicity. On the
5 other hand I certainly don't want to take the popular
6 point of view of anything over 6% is usurious. 6% is
7 not adequate for consumer loans. I think the adoption
8 of one of those principles by one of the States would
9 mean the returns to the investors in that State would
10 be less than in other States. It may lead to people
11 living on the border going to another State to do the
12 dealing or people in New Jersey would go to New York
13 State.

14 MR. WHITE: It's impossible to assess the
15 consequences.

16 MR. LYNLEY: We have disclosure laws which
17 don't cover 100% of the field. You cover 70% or 80%
18 of the transactions you think should fall under the
19 coverage. Certain exceptions are made. Over the years
20 loopholes start to be closed.

21 SENATOR DOUGLAS: This is something that
22 will be passed. It's just a question of when. If we
23 can ever get it to the floor of the Senate we can pass it.

24 MR. SEDGWICK: Unless you get it out of
25 committee you can't get it on to the floor.

26 MR. MacDONALD: One of the principles of the
27 Unruh Act consists of fixing an interest rate level
28 which is $2\frac{1}{2}\%$ for the first \$200.00, 2% on the next
29 \$300.00, and $\frac{5}{6}$ of 1% on the balance over \$500.00?
30



1 SENATOR DOUGLAS: We are not trying to fix
2 the rate of interest. We don't provide any maximum
3 rate of interest, just merely provide publicity for
4 whatever rate is charged.

5 MR. SEDGWICK: At this stage did you consider
6 the revolving credit account?

7 SENATOR DOUGLAS: If this is the price I
8 am ready to do it, but I hate to do it.

9 MR. IRWIN: I have detected in response to
10 a question to Mr. Evans and also Senator Bennett that
11 they might possibly find some are of accommodation in
12 this legislation if it were in terms of the declaration
13 of the monthly rate rather than the annual rate.

14 SENATOR DOUGLAS: Interest rates are
15 computed on a yearly basis all the way down until you
16 get to the consumer. When a wholesaler buys goods it's
17 a yearly rate, when he borrows from the bank it's a
18 yearly rate of interest. Why should you when you get
19 to the consumer resort to a monthly rate.

20 MR. IRWIN: I would agree with that
21 technically.

22 MR. LYNLEY: We have never seen a bank
23 advertise $1/3$ of 1% on their savings account.

24 MR. IRWIN: My inquiries have led me to
25 support what you are saying. There does seem to be an
26 area of accommodation towards universal disclosure. This
27 is what I think is important, a common means of calculations
28 within the loan industry itself. There seems to be a fairly
29 warm, at least not hostile attitude towards a monthly
30



1 declaration.

2 SENATOR DOUGLAS: I see you have detected
3 something I haven't found out.

4 MR. BUKATOR: We have a small loans act
5 where you reveal the monthly rate.

6 MR. IRWIN: This is only one act covering a
7 very small segment.

8 MR. LYNLEY: We have several States which
9 require annual rates.

10 MR. MacDONALD: One of the interesting
11 things in California was to see the reaction of the
12 finance companies. At least I was struck by their
13 happiness with the Act until they realized it is 30%
14 to \$200.00 and 24% up to \$500.00.

15 MR. WHITE: The maximum has become the
16 minimum.

17 SENATOR DOUGLAS: We could get through a
18 bill which would go through the motions but in reality
19 would protect the money lenders and instalment sellers.
20 I think that would be selling out the public.

21 MR. WHITE: You mentioned credit insurance.
22 It would seem the California legislation leaves that
23 loophole.

24 MR. LYNLEY: Our bill in defining the
25 finance charge means the sum of all the charges including
26 but not limited to interest fees, service charges and
27 discounts, which any person to whom credit is extended
28 incurs in connection with, and as an incident to the
29 extension of such credit. That includes any charge you
30



1 have to pay in connection with that credit extension.

2 MR. WHITE: Would this include a fee for
3 searching a title on a house?

4 MR. LYNLEY: This is a cost to the borrower.

5 MR. WHITE: If the mortgages were half the
6 value of the home---

7 MR. LYNLEY: If the mortgage is half the
8 cost of the home, yes, it is a cost you incur. The
9 title search is a good question.

10 SENATOR DOUGLAS: I would be ready to exempt
11 the title search. I don't think it's incident to the
12 extension of credit.

13 MR. MacDONALD: What about dues in a credit
14 union?

15 SENATOR DOUGLAS: A credit union has a 25%
16 membership fee. If you never borrow a nickel from them
17 you still pay that 25% fee.

18 MR. MacDONALD: In your future bargaining
19 you are willing to exempt these items that don't relate
20 directly to the extension of credit?

21 MR. LYNLEY: We want to stick with a
22 particular theory. If you start exemption willy nilly
23 then the whole idea breaks down. You have to stick to
24 these charges incident to the extension of credit and
25 those that are incident to the sale of property.

26 SEDGWICK: How about the cost of the credit
27 cards. I pay \$12.00 a year to have a credit card?

28 MR. IRWIN: Except you might not use it.

29 MR. SEDGWICK: If I did use it, it is
30



1 incident. Would that be exempt?

2 MR. LYNLEY: We have it in section 4 (b)
3 of the bill. They are like the revolving credit problem.

4 MR. LAWRENCE: In your definition at the
5 moment would it include default fees?

6 MR. LYNLEY: This is in the disclosure. It
7 says if the terms of the contract are followed to the
8 letter. Over 50% of the contracts don't run to the
9 letter. They prepay or pay late and therefore, default
10 charges in that sense are not involved in the definition.

11 MR. IRWIN: Following your theory that it
12 is disclosure in terms of an annual rate on all of these
13 costs relating to the person getting or not getting the
14 credit, for this particular transaction, who pays the charges
15 that exist if the borrower carries out the terms described.
16 If the borrower exercises any initiative by way of default
17 or prepayment, for example, he is on his own?

18 MR. LYNLEY: That's right.

19 MR. IRWIN: Disclosure takes place at the
20 moment of decision, thereafter the borrower is on his
21 own.

22 MR. LYNLEY: We are saying if the letter of
23 the contract is carried out the dollar charge will be so
24 much. There may be adjustments by mutual consent at a
25 later date.

26 MR. WHICHER: May I ask this question. What
27 kind of support do you have from the general public. I
28 have been informed that people simply don't care about
29 the simple annual rate of interest. They want to know
30



1 how much they would have to pay at the end of the month.
2 Even if they were interested some of them are not capable
3 of diagnosing what rate it is?

4 MR. LYNLEY: Could I respond to your question
5 do people care. There is an important distinction between
6 indifference and ignorance. We found a few months ago
7 a mutual savings bank went from 3 3/4% to 4%, and half
8 a billion dollars shifted in two days in response to a
9 1/4% rate differential. I think if you have a truth in
10 lending bill people will become rate conscious.

11 REILLY: Is he willing to pay more money
12 because of convenience?

13 MR. LYNLEY: People will pay a higher price
14 for credit because it is more convenient to buy here.
15 The cost of credit is only one factor.

16 MR. REILLY: What you are interested in is
17 the consumer, the small wage earner, yet there has been
18 no disclosure whatsoever on the dollar amount. Previous
19 to this there has been no disclosure whatsoever.

20 SENATOR DOUGLAS: That's right.

21 MR. LAWRENCE: Didn't a lot of States have
22 dollar disclosure?

23 MR. LYNLEY: Yes, they do. They vary from
24 State to State. We have many State laws that require
25 some sort of dollar disclosure. We have a great spectrum
26 of complaints with these laws depending on how the
27 penalties are written into the law.

28 MR. MacDONALD: On the average consumer loan
29 which is relatively speaking small, what likelihood is
30



1 there of the average person taking action. Suppose his
2 consumer charges are \$50.00 or \$100.00 and he claims he
3 was charged \$200.00, and takes action and in the process
4 of doing so he spends \$500.00?

5 MR. LYNLEY: The creditor shall be liable
6 for fees and costs as determined by the Court. Our
7 concern is not with punishing. We don't want to burden
8 the lenders with a lot of lawyers chasing them. I imagine
9 99% of these things would be settled by merely going to
10 the borrower and saying we made an honest error.

11 SENATOR DOUGLAS: Let me give you an example.
12 I don't know how much real merit it has. As you may have
13 been reading in the paper, this loan shark business turns
14 out to be one of the most lucrative branches of the
15 criminal syndicate, and they are having great difficulty
16 in convicting these fellows because they can't find
17 anything illegal they have done. I think if they were
18 compelled to state their interest rates which is 10% a
19 week, which would be 520% a year, under section 7 (c)
20 you could at least give them jail sentences. The
21 criminal syndicate has not yet entered the list against
22 the bill but I expect them to.

23 MR. REILLY: Do I understand you consider
24 one of the most important reasons for this bill is to
25 have some action against the loan shark agencies?

26 SENATOR DOUGLAS: It's a by-product, it's
27 not the main purpose. The main purpose is to inform the
28 borrower and buyer so that he can exercise a wiser choice
29 in the free market.
30



1 MR. LAWRENCE: I think it's in section 4 (2),
2 to the extent applicable and ascertainable. Where did
3 that emanate from?

4 MR. LYNLEY: Let me refer to Section 4, any
5 creditor shall furnish to each person to whom credit is
6 extended, prior to the consumation of the transaction,
7 a clear statement in writing setting forth, to the extent
8 applicable and ascertainable the following information.
9 To make it clear, in using the phrase to the extent
10 applicable we meant ascertainable.

11 MR. LAWRENCE: This was not in your original
12 bill.

13 MR. LYNLEY: That's correct.

14 MR. KERR: In section 4 (b), you say down
15 at the bottom, furnish to such person prior to agreeing
16 to extend credit under such a plan, a clear statement in
17 writing setting forth the finance charges which will be
18 imposed, etc. I am thinking of the small merchant who
19 may be extending credit and may have a credit card
20 system. I think that the practice is that the housewife
21 comes in and buys something and hands the credit card
22 over and gets it punched, takes her goods and leaves.
23 Does this mean on each purchase item there will have to
24 be something in writing to indicate the credit charge
25 for that particular item?

26 MR. LYNLEY: On a revolving credit card we
27 apply the terms of the deal not to each individual
28 purchase but to the line of credit itself. You get a
29 monthly billing in terms of disclosure in using that
30



1 line of credit.

2 MR. LAWRENCE: When you enter into a credit
3 card arrangement you have to sign an agreement at the
4 beginning.

5 MR. LYNLEY: It would indicate on that
6 agreement what the interest would be for the whole line
7 of credit.

8 SENATOR DOUGLAS: Let me throw in a point
9 on this revolving credit. The small merchant is still
10 given a 60 day and 90 day line of credit. The small
11 merchant borrows money from the bank on which he will
12 pay 6%, therefore, he has to have prices which are up
13 to profit for the interest charges he has paid to the
14 banks. The big companies come along and sell their
15 interest rate, they are really charging 18%. They are
16 making more money on the interest on the credit than they
17 are making on the commodity. This is true of the mail
18 order houses and I think that is true of the big department
19 stores. That's why the small merchants are having a
20 rough go in comparison with the big retailers, and this
21 is tied up with the movement to the shopping centres.

22 MR. IRWIN: On this point, do you permit the
23 department store, the revolving credit lender, to charge
24 on the month end balance, is it on the previous current
25 balance or mid month balance, what is it?

26 MR. LYNLEY: That's a good question. We
27 think the regulatory authority ought to specify that
28 clearly. We decided we wouldn't legislate on it but
29 sit down with the industry people and ask how can we work
30



1 this out.

2 MR. LAWRENCE: Are you going to get any
3 help in this session downtown?

4 MR. LYNLEY: There are three messages, the
5 State of the Union Message, the Civil Health Program
6 message and a section on consumer protection which surprised
7 a lot of people. There is an economic report on the
8 25th and there is a budget message on the 28th. I think
9 we will know what they are going to say downtown by
10 the end of the 28th.

11 MR. WHITE: There is some concern about the
12 loophole which exists through credit insurance. Have
13 you got any ideas as to how that loophole might be
14 closed?

15 MR. LYNLEY: Either it is more efficient
16 for the lender to assume the risk himself, credit life
17 insurance, or it's easier or more efficient for him to
18 go the other route and charge you credit life insurance
19 and pass the risk on to someone else. If you look at
20 it in that framework I think the risk to the lender is
21 fairly small. I think it's out of porportion to the
22 risk involved.

23 MR. IRWIN: The Unruh Act provided for this
24 by providing that the rates of insurance for credit or
25 life insurance charged at the time the sale is made must
26 be rates approved by the superintendent of insurance or
27 the equivalent.

28 SENATOR DOUGLAS: New York has the best laws
29 of any State in the Union.
30



1 MR. LYNLEY: The efficient way is on a
2 wholesale basis. Once you get into credit or life
3 insurance on an individual basis it's highly inefficient.

4 MR. MacDONALD: What is your reaction to
5 the cooling off period?

6 MR. SEDGWICK: It applies only to the door
7 to door salesman.

8 MR. MacDONALD: He can withdraw within 48
9 to 72 hours.

10 SENATOR DOUGLAS: This would be part of the
11 general legislation if they try to lead us down that
12 path.

13 MR. SEDGWICK: I doubt if this comes within
14 the Federal ambit.

15 MR. LYNLEY: We had consumer controls during
16 the second World War.

17 MR. SEDGWICK: We had the same thing.

18 MR. IRWIN: We have heard reference to the
19 Uniform Commercial Code, what is this?

20 SENATOR DOUGLAS: This is an attempt to
21 head off the Truth in Lending Bill. This is a hard
22 judgment but I think it's true.

23 MR. LYNLEY: The Uniform Commercial Code
24 has been adopted by 38 States and done very well.
25 However, it is being amended every year in the State
26 Legislature and the process of uniformity is breaking
27 down as fast as it is being created. Some of the larger
28 lenders would like to see more uniformity in State laws.

29 MR. PRICE: It has been very satisfying this
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1 afternoon. Thank you very much.

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3 -----meeting adjourned.

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